

DOCKET SECTION

RECEIVED

CRPA-T-1

DEC 30 10 10 AM '97

POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

**BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001**

POSTAL RATE AND FEE CHANGES, 1997 :

Docket No. R97-1

**DIRECT TESTIMONY OF
DR. JOHN STAPERT
ON BEHALF OF
COALITION OF RELIGIOUS PRESS ASSOCIATIONS**

COALITION OF RELIGIOUS PRESS ASSOCIATIONS

American Jewish Press Association
Associated Church Press
Association of State Baptist Papers
Catholic Press Association
Episcopal Communicators
Evangelical Press Association
General Commission on Communication, United Methodist Church
Seventh-day Adventist Publishers

By Dr. John Stapert
Associated Church Press
P.O. Box 30215
Phoenix, AZ 85046-0215

phone: 602/569-6371
fax: 602/569-6180

December 29, 1997

CONTENTS

AUTOBIOGRAPHICAL SKETCH.....	1
INTRODUCTION, SCOPE, AND PURPOSE.....	2
MAILING COST TRENDS FOR NON-PROFIT MAGAZINES AND NEWSPAPERS	4
VALUE OF SERVICE	6
MAIL PROCESSING COSTS FOR PERIODICALS-CLASS	8
UNTRUSTWORTHY DATA FOR STANDARD-A MAIL COSTS.....	9
REVENUE REALITIES	10
APPENDIX A: CRPA MEMBER DESCRIPTIONS	12
APPENDIX B: <i>POSTAL NEWS</i> , DECEMBER 9, 1997	16

AUTOBIOGRAPHICAL SKETCH

My name is John C. Stapert. On a half-time basis, I am executive director of the Associated Church Press, a responsibility I have held since September 1990.

Prior to my work for the Associated Church Press, I served for seventeen years as editor and publisher of *The Church Herald*, a magazine which serves the members of the Reformed Church in America. I was also among the founding editors of *Perspectives*, a theological journal established in 1986; I served that publication as managing editor from 1986 - 1994. These two publications were (and remain) members of both the Associated Church Press and the Evangelical Press Association.

Representing the religious press, I was a member of the United States Postal Service's Mailers' Technical Advisory Committee (MTAC) from 1978 - 1990. I brought testimony before the Postal Rate Commission on behalf of the Coalition of Religious Press Associations in R87-1, R90-1, R94-1, and MC95-1.

My education is that of a clergyman and a research psychologist, with subsequent study in clinical psychology. I earned a B.A. in psychology at Hope College in Holland, Michigan, (1963), an M.Div. at Fuller Theological Seminary in Pasadena, California, (1966), and M.A. and Ph.D. degrees in psychology at the University of Illinois (1968, 1969).

I have taught psychology at the college level, including the teaching of research design and statistics. On a part-time basis, I worked in psychiatric medicine at the Psychiatric-Medical Unit in Grand Rapids, Michigan, 1991 - 1994. In mid-1994 I relocated to Arizona where I now maintain a part-time clinical practice in Scottsdale.

INTRODUCTION, SCOPE, AND PURPOSE

My name is John C. Stapert, and I am the coordinator of the eight-member Coalition of Religious Press Associations (CRPA). A brief autobiography accompanies this testimony. CRPA is a broadly ecumenical and interfaith group whose members share a commitment to contribute to the moral and ethical fiber of this nation. Appendix A provides a summary of the postal activities of the associations which have come together for the purpose of assisting the Commission in evaluating the proposed postal rates for preferred-rate, Periodicals-class and Standard-A-class mailers.

Taken individually, the periodicals in CRPA are small. More than half have circulations of 20,000 or fewer. Three-quarters have circulations under 50,000. Despite these small circulations, many CRPA periodicals seek to serve readerships spread across the United States; this means thin distributions rather than dense distributions of copies. Thus in many instances CRPA's members are not in a position to take advantage of postal discounts designed for high-density periodicals.

Yet the aggregate circulation of CRPA's member periodicals is substantial. The American Jewish Press Association's periodicals reach 4.5 million readers. The Associated Church Press's members have a combined, per-issue circulation in excess of 8.4 million. The Catholic Press Association's publications go to 26.5 subscribers. The Evangelical Press Association's subscribers approximate 20 million. Southern Baptist papers count a per-issue circulation of 1.7 million. The total yearly circulation of Seventh Day Adventist periodicals is 46.2 million copies. Methodist conference papers' aggregate circulations exceed 24 million pieces.

The purposes of this testimony are (a) to represent the interests of the small,

1 non-profit, periodicals mailer in the postal rate-setting proceedings, (b) to assist the
2 Commission in understanding the impact of higher rates and deteriorating service on
3 non-profit, Periodicals-class and Standard-A-class mailers, and (c) to call the Commis-
4 sion's attention to serious concerns about the dependability of the Postal Service's data
5 in the area of preferred-rate, Standard A mail.

1 MAILING COST TRENDS FOR NON-PROFIT MAGAZINES AND NEWSPAPERS

2 The Commission is aware of the phasing schedule of annual postal-rate increases
3 for preferred-rate mailers. While the congressional action that created these increases
4 was taken totally apart from any Rate Commission action, nevertheless preferred-rate
5 mailers have experienced a rate increase each October 1 for several years. The reality
6 of this annual rate increment makes nonprofit mailers more financially vulnerable to
7 general postal-rate increases.

8 With the implementation in January 1996 of the Commission's recommendations
9 of MC95-1, preferred-rate mailers were required to prepare their mail according to the
10 then-new rules. Preferred-rate mailers did not become eligible for any of the MC95-1
11 rate discounts, however, until MC96-2 was settled and implemented six months later,
12 in July 1996.

13 These mail-classification developments caused confusion and cost money among
14 preferred-rate mailers. Some attempted to comply with mail-preparation requirements,
15 even though they were not initially eligible for appropriate discounts. Many searched
16 for computer software that would enable them to comply with mail-preparation re-
17 quirements, but no commercial-software vendor had an up-and-running system avail-
18 able. As a consequence, during the first nine [calendar] months of 1996, much of the
19 preferred-rate mail was entered at the basic-presort rate, which cost the mailers more in
20 postage.

21 Postal Service witness O'Hara, questioned for ABP by Mr. Strauss, acknowl-
22 edged that smaller-circulation periodicals experienced rate increases as a consequence
23 of MC95-1: "In terms of titles, I understand that probably the smaller titles, especially

1 the titles that are not geographically concentrated, would have been more likely to be
2 among the periodicals getting a rate increase" (Tr. @321).

3 This left most religious periodicals in the worst of all mailers' positions after
4 MC95-1. Encountering new mail-preparation requirements, they swallowed increased
5 costs. But even those publications with distribution densities great enough to qualify for
6 mail-preparation discounts did not receive those discounts until six months later, with
7 the settlement of MC96-2.

1 VALUE OF SERVICE

2 Criterion 2 for the setting of postal rates and fees is "the value of the mail serv-
3 ice actually provided each class or type of mail service to both the sender and the re-
4 cipient, including but not limited to the collection, mode of transportation, and priority
5 of delivery;" (39 USCS § 3622).

6 The Postal Service explicitly acknowledges in this proceeding that as service de-
7 teriorates, the value of a periodical declines. USPS witness O'Hara, questioned by Mr.
8 Bergin for McGraw-Hill, testified, "I suppose that if the level of service deteriorates
9 that could have an effect on the economic value as it would show up in the price elastic-
10 ity. People might not be as willing to retain their previous levels of usage or nearly
11 their previous levels of usage after a rate increase if the service standard had fallen. So
12 it certainly could show up in the economic value of service..." (Tr. @362-363).

13 CRPA members have noted a distinct decline in the value of the Postal Service's
14 service over the past few years. Some have suffered tangible harm as a consequence.

15 In Catholic, Episcopalian, Jewish, Methodist, and Southern Baptist circles, a
16 common vehicle for communication is the regionally mailed tabloid newspaper. Many
17 of these papers are weeklies, with printing and mailing scheduled for delivery on Fri-
18 day (Thursday for the Jewish papers). Saturday delivery (Friday for the Jewish papers)
19 is acceptable. But Monday delivery the next week is not acceptable; the paper loses a
20 substantial portion of its value if Bible studies (which are dated according to religious
21 seasons and holidays) and schedules of local events do not arrive before the weekend.

22 The *United Methodist Reporter* (UMR) in Dallas, Texas, prints local-edition pa-
23 pers for many United Methodist conferences around the nation. Local editors prepare

1 the editorial material and send it to Dallas where the pages are assembled and the pa-
2 pers are printed. From Dallas, the papers are mailed in a timely fashion. But UMR has
3 suffered from deterioration of postal service. During 1997, its circulation manager
4 tracked those customers who called to complain about poor delivery of their papers.
5 This amounted to 19 percent of his customer base. UMR in turn set up subscriber-serv-
6 ice reporters in its major zip codes who would call their local editors and report when
7 they got delivery. UMR's tracking revealed only a 64 percent on-time delivery rate for
8 the customers who called. Furthermore, UMR lost its Bristol, Tennessee/Virginia cus-
9 tomer because the Postal Service could not get before-Sunday delivery to the Virginia
10 customers.

11 The Postal Service is requesting higher rates. But the value of the service actual-
12 ly provided to small-circulation, preferred-rate periodicals has declined. In face of this,
13 any rate increase for Periodicals-class mail should be kept to a minimum.

1 || MAIL PROCESSING COSTS FOR PERIODICALS-CLASS

2 || The Postal Service's rate request is based, in part, on its tabulation of mail pro-
3 || cessing costs. As the testimony of MPA *et al* (including CRPA) witness Christopher M.
4 || Little makes clear, mail-processing costs are wildly out of control (MPA-T-1).

5 || ABP *et al* (including CRPA) witness Keith Crain echoes witness Little's testimo-
6 || ny. He calls attention to overestimated costs for handling periodicals. And he docu-
7 || ments the Postal Service's denial of any "automation refugee" problem.

8 || But there is a problem. I join with witnesses Little and Crain in calling on the
9 || Commission to do what it can to urge the Postal Service to reverse its escalating mail-
10 || processing costs and to revise its method of assigning costs. (A return to the methodol-
11 || ogy used in R94-1 (by implication, R90-1) might be preferable to the methodology used
12 || in the instant case.)

1 UNTRUSTWORTHY DATA FOR STANDARD-A MAIL COSTS

2 Earlier in this testimony I referred to the period of confusion in the wake of re-
3 classification. Unfortunately, the Postal Service gathered rate-making data for non-
4 profit, Standard-A mail during this time period, making the data suspect.

5 The Postal Service was aware of this problem. USPS witness Talmo, being
6 cross-examined by Mr. Joel Thomas, representing ANM, agreed that the timing of
7 data-collection "might skew these figures" (Tr. @7930).

8 Admittedly, there is seldom an optimum time for collecting cost data for all
9 classes and subclasses of mail in the system. Postal Service witnesses must live with the
10 realities of a less-than-ideal set of real-life data. But the Commission should be aware
11 that flawed data may underlie the Service's rate request for non-profit, Standard-A
12 mail. CRPA is aware of studies and analyses being conducted by ANM witness Dr.
13 John Haldi which promise to shed light on this problem in more detail.

14 I urge the Commission to note the problematic nature of the Postal Service's
15 non-profit, Standard-A costs and to seek a more solid empirical foundation if any sig-
16 nificant rate increase is to be recommended.

REVENUE REALITIES

As my autobiographical sketch mentions, I am a practicing clinical psychologist. Sometimes in this capacity I meet people whose perception of reality is significantly distorted. They carry unjustified fears, and they view life in gloom-and-doom terms. One of best things I can do for them is to provide a dose of reality. Often, the therapeutic value of this imposition of reality is considerable; the true realities are much less awful than the imaginations of these patients.

In R97-1, the Postal Service's revenue requirement reminds me of such patients. Despite forecasts to the contrary, the Postal Service enjoyed a large surplus in fiscal 1997. At the December 9, 1997, monthly meeting of the Postal Service Board of Governors in Costa Mesa, California, the Postmaster General announced net income of \$1.3 billion for the year. During the past three years, Mr. Runyon said, "we have improved the equity of the Postal Service by \$4.7 billion..." (Source: *Postal News*, December 9, 1997, copy attached as Appendix B).

Two days later at a meeting of the Mailers Technical Advisory Committee, Richard Porras, Postal Service Vice President-Comptroller, provided similar information with more detail. The Postal Service's plan had called for a FY97 surplus of \$55 million, but the actual surplus was \$1.264 billion. Income had been underestimated, and expenses had been overestimated in every category. Porras also reported that Postal Service revenue is currently growing faster than expenses (3.08% vs. 3.03% per year).

CRPA is aware that under the Commission's understanding of the statutes, the Postal Service has the exclusive right to determine its revenue requirement. But CRPA encourages the Commission to prompt disclosure, on the record, of the Postal Service's

1 rapidly improving financial health and of the Service's prospect—even under current
2 rates—for continued robust surpluses.

APPENDIX A

DESCRIPTION OF COALITION MEMBERSHIPS

COALITION OF RELIGIOUS PRESS ASSOCIATIONS (CRPA)

American Jewish Press Association

The American Jewish Press Association (AJPA) represents more than 175 member periodicals with a combined readership of 4.5 million. Between 65 and 70 percent of AJPA's members are not-for-profit, and they send their periodicals as Periodicals-class, preferred-rate mail.

Associated Church Press

The Associated Church Press (ACP) has 157¹ member periodicals located in thirty-three states and the District of Columbia. Their combined per-issue circulation exceeds 8.4 million. ACP member periodicals produce 130,000,000 issues per year. Fully 60 percent of the ACP's members have circulations of 16,500 or fewer, and an additional 22 percent have circulations between 16,500 and 50,000 per issue. Thus, although a few ACP members have large circulations, more than 82 percent of the ACP's member periodicals have circulations of 50,000 or fewer. All but a few ACP members are not-for-profit. The ACP's members are primarily magazines and newspapers that use Periodicals-class mail, but some members use Standard A mail—both at preferred rates.

1. One member, a news service with 20,000,000 subscribers—mostly electronic—has been excluded from the ACP's figures because its use of the Postal Service is relatively small and because the inclusion of its data significantly distorts the general picture of ACP members.

Association of State Baptist Papers

The Association of State Baptist Papers (ASBP) consists of thirty-nine Baptist state papers ranging in circulation from 2,000 to nearly 300,000 and with a combined per-issue circulation of 1.7 million. Most of these papers are weeklies. Twenty-two of the thirty-nine have circulations of 20,000 or fewer. The average circulation is between 40,000 - 45,000 per issue. ASBP publications place nearly 80,000,000 copies of their newspapers the mail stream each year, all at nonprofit rates in Periodicals or Standard-A class. These Baptist papers are the principal means through which more than 14 million Southern Baptist Church members are informed of their mission work and benevolent ministries.

Catholic Press Association

The Catholic Press Association (CPA) includes some 600 Catholic newspapers, magazines, and newsletters in the United States with a combined per-issue circulation of 24.3 million. The average circulation per publication is just under 43,000 per issue. Almost all CPA members are not-for-profit. Many of the CPA's newspaper-members are diocesan (locally circulated), but most of the CPA's 250 U.S. magazines are mailed nationwide.

Evangelical Press Association

The Evangelical Press Association (EPA) consists of approximately 300 member periodicals and 100 individual writers. The periodicals have a combined, per-issue circulation of approximately 20 million. EPA members are located in thirty-five states and

1 the District of Columbia. The EPA's circulation profiles resemble those of other religi-
2 ous press associations: Well over half have circulations of 20,000 or fewer per issue;
3 three-quarters have circulations of 50,000 or fewer. All but a few EPA members are
4 not-for-profit. Its members primarily use Periodicals-class mail, but some members use
5 Standard A-class—both at preferred rates.

6 7 **Episcopal Communicators**

8 The Episcopal Communicators Association's membership is 178 individuals,
9 most of whom are editors, writers, or public-information officers of various Episcopal
10 dioceses or institutions. Their publications are all not-for-profit and use either Periodi-
11 cals- or Standard-A-class mail.

12 13 **Seventh Day Adventist Press**

14 The Seventh-day Adventist Publishers (SAP) are comprised of two North Amer-
15 ican facilities: Review and Herald Publishing Association in Hagerstown, Maryland,
16 and Pacific Press Publishing Association in Nampa, Idaho. They jointly produce sixty-
17 five Adventist periodicals. The most prominent publications are the *Adventist Review*
18 with a weekly circulation of 45,000 (mailed Periodicals class) and an additional month-
19 ly distribution of 300,000 (mailed Standard A class); *Signs of the Times* with a monthly
20 circulation of 216,000; *Liberty* magazine with a bimonthly circulation of 300,000; and
21 *Ministry*, which is mailed monthly to 16,000 Adventist clergy and additionally to
22 70,000 non-Adventist clergy bimonthly. The total yearly circulation of SAP periodicals
23 is 46.2 million copies; 39.5 million are mailed Periodicals class and 6.7 million are

1 mailed Standard A class, and all qualify for preferred rates.

2
3 **United Methodist Church, Commission on Communication**

4 The United Methodist Church's Commission on Communication produces the In-
5 terpreter, mailed eight times annually to 280,000 United Methodists; it goes to all pas-
6 tors and to key lay people in all fifty states and the District of Columbia. El Interprete,
7 a Spanish-language publication, goes to 4,500 Methodist homes six times a year. A Ko-
8 rean-language publication circulates six times a year to 4,500 households. These and
9 other Methodist materials are produced in and mailed from Nashville, Tennessee, the
10 denomination's headquarters.

11 The United Methodist Commission on Communication also represents some 60
12 annual conference (i.e. geographically regional) publications whose circulations range
13 from 2,500 to 45,000. Publication frequencies range from weekly to monthly, but the
14 combined annual volume of these regional Methodist publications exceeds 24 million
15 pieces.



POSTAL NEWS

December 9, 1997

FOR IMMEDIATE RELEASE

Contact: Roy Betts

(202) 268-3207

Release No. 128

Internet: <http://www.usps.gov>

POSTMASTER GENERAL MARVIN RUNYON PROCLAIMS 1997 ANOTHER BANNER YEAR; ANNOUNCES COMPREHENSIVE HOLIDAY MAILING PLANS

COSTA MESA, Calif. — Postmaster General Marvin Runyon today made it official: The U.S. Postal Service's net income for Fiscal Year 1997 was \$1.3 billion, representing the third year in a row that the agency has exceeded the billion-dollar mark.

"During these past three years, we have improved the equity of the Postal Service by \$4.7 billion, while substantially increasing capital investment in the future of the mail," Runyon said in remarks at the monthly meeting of the Postal Service Board of Governors held in Costa Mesa. "We are looking forward to continued success this year."

Runyon credited postal employees across the nation for the Postal Service's success. "They have raised the bar on service, held the line on expenses, and met every challenge with grace and professionalism."

Runyon also outlined an aggressive plan to move the millions of letters during the holiday season. Runyon said it was "one of the most comprehensive holiday plans" in the Postal Service's history.

"Unique to this holiday mailing season, many mailers, taking a lesson from the strike against UPS, now recognize the importance of diversifying their mailings," Runyon said. "They have shifted portions of their business to the Postal Service, and we are paying close attention to meeting their expectations."

Runyon noted that the Postal Service has activated its computerized 24-hour National Operations Center, which is linked to similar facilities at all ten postal area offices. The center can track transportation, weather conditions, and the flow of mail across the nation during the busiest time of year for the Postal Service.

-more-

-2-

The Postal Service projects that Americans will mail more than 5 billion cards and letters this month, a 2.5 percent increase over last year. On average, the Postal Service receives about 95 million cards and letters a day during the fall. This month, that figure is expected to rise to 150 million a day.

The busiest mail day this holiday season is expected to fall on Monday, December 15, when the Postal Service expects to cancel some 280 million letters.

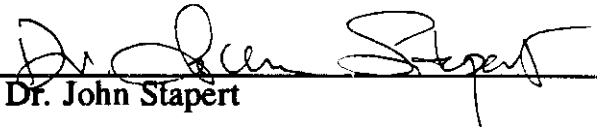
To handle the increased mail volume, a special transportation network has been created with 100 additional leased aircraft to fly Priority Mail and Express Mail shipments during the two weeks before Christmas. More than three-quarters of a million square feet of additional work space has been added across the country to handle parcels and large mailings. And, the Postal Service is hiring more than 40,000 seasonal workers to keep service levels high.

Runyon indicated that more than 25 million Americans will visit post offices during the first three and a half weeks of this month. "To ensure that household customers are well-served, the Postal Service is extending office hours in thousands of locations across the country," he said.

-30-

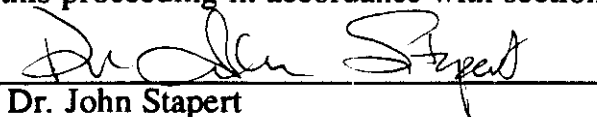
DECLARATION

I declare under penalty of perjury that the foregoing is true and correct. Executed on December 29, 1997.


Dr. John Stapert

CERTIFICATE OF SERVICE

I hereby certify that I have this 29th day of December, 1997, served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.


Dr. John Stapert